



**BOYS & GIRLS CLUBS
OF DORCHESTER**

**FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Contents
June 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors of
Boys and Girls Clubs of Dorchester, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Boys and Girls Clubs of Dorchester, Inc. (a Massachusetts corporation, not-for-profit) (the Club), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Boys and Girls Clubs of Dorchester, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Club and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Club's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPAs, Inc.

Boston, Massachusetts
November 7, 2022

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Statements of Financial Position
June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current Assets:						
Cash	\$ 1,624,719	\$ 1,365,432	\$ 2,990,151	\$ 1,416,663	\$ 1,767,658	\$ 3,184,321
Current portion of pledges receivable	73,000	1,108,667	1,181,667	46,500	182,000	228,500
Grants, contracts and other receivables, net of allowance for doubtful accounts	1,918,470	-	1,918,470	1,482,651	-	1,482,651
Prepaid expenses and other	25,311	-	25,311	51,249	-	51,249
Total current assets	<u>3,641,500</u>	<u>2,474,099</u>	<u>6,115,599</u>	<u>2,997,063</u>	<u>1,949,658</u>	<u>4,946,721</u>
Investments	1,609,944	1,524,088	3,134,032	1,186,095	1,319,656	2,505,751
Cash Surrender Value of Life Insurance Policies	113,109	-	113,109	110,053	-	110,053
Pledges Receivable, net of current portion	-	2,334,545	2,334,545	-	321,000	321,000
Property and Equipment, net	3,722,975	-	3,722,975	3,907,831	-	3,907,831
Construction in Progress	-	984,788	984,788	-	-	-
Total assets	<u>\$ 9,087,528</u>	<u>\$ 7,317,520</u>	<u>\$ 16,405,048</u>	<u>\$ 8,201,042</u>	<u>\$ 3,590,314</u>	<u>\$ 11,791,356</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 725,113	\$ -	\$ 725,113	\$ 459,066	\$ -	\$ 459,066
Deferred revenue	56,067	-	56,067	49,061	-	49,061
Total current liabilities	<u>781,180</u>	<u>-</u>	<u>781,180</u>	<u>508,127</u>	<u>-</u>	<u>508,127</u>
Total liabilities	<u>781,180</u>	<u>-</u>	<u>781,180</u>	<u>508,127</u>	<u>-</u>	<u>508,127</u>
Net Assets:						
Without donor restrictions:						
Operating	4,583,373	-	4,583,373	3,785,084	-	3,785,084
Property and equipment	3,722,975	-	3,722,975	3,907,831	-	3,907,831
Total without donor restrictions	<u>8,306,348</u>	<u>-</u>	<u>8,306,348</u>	<u>7,692,915</u>	<u>-</u>	<u>7,692,915</u>
With donor restrictions	-	7,317,520	7,317,520	-	3,590,314	3,590,314
Total net assets	<u>8,306,348</u>	<u>7,317,520</u>	<u>15,623,868</u>	<u>7,692,915</u>	<u>3,590,314</u>	<u>11,283,229</u>
Total liabilities and net assets	<u>\$ 9,087,528</u>	<u>\$ 7,317,520</u>	<u>\$ 16,405,048</u>	<u>\$ 8,201,042</u>	<u>\$ 3,590,314</u>	<u>\$ 11,791,356</u>

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Statements of Activities

For the Years ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:						
Grants and contributions	\$ 2,797,672	\$ 2,041,909	\$ 4,839,581	\$ 4,013,972	\$ 350,891	\$ 4,364,863
Contracts	2,617,021	-	2,617,021	1,470,809	-	1,470,809
Special events and contributions, net	948,865	-	948,865	608,250	-	608,250
Donated goods and services	680,420	-	680,420	492,633	-	492,633
Rodman Ride contributions	530,820	-	530,820	576,496	-	576,496
Program service fees	486,196	-	486,196	346,957	-	346,957
United Way contributions	60,296	-	60,296	55,651	-	55,651
Investment income	40,997	-	40,997	42,012	-	42,012
Other	10,973	-	10,973	14,709	-	14,709
Net assets released from program restrictions	350,891	(350,891)	-	165,994	(165,994)	-
Net assets released from time restrictions	-	-	-	135,124	(135,124)	-
Total operating revenue and support	<u>8,524,151</u>	<u>1,691,018</u>	<u>10,215,169</u>	<u>7,922,607</u>	<u>49,773</u>	<u>7,972,380</u>
Operating Expenses:						
Program services:						
Licensed Childcare	2,069,492	-	2,069,492	1,492,632	-	1,492,632
Recreation and Education	3,239,729	-	3,239,729	2,898,771	-	2,898,771
Total program services	<u>5,309,221</u>	<u>-</u>	<u>5,309,221</u>	<u>4,391,403</u>	<u>-</u>	<u>4,391,403</u>
General and administrative	754,473	-	754,473	707,580	-	707,580
Fundraising	1,835,864	-	1,835,864	1,229,607	-	1,229,607
Total operating expenses	<u>7,899,558</u>	<u>-</u>	<u>7,899,558</u>	<u>6,328,590</u>	<u>-</u>	<u>6,328,590</u>
Changes in net assets from operations	<u>624,593</u>	<u>1,691,018</u>	<u>2,315,611</u>	<u>1,594,017</u>	<u>49,773</u>	<u>1,643,790</u>
Non-Operating Revenues (Expenses):						
Grants and contributions - capital campaign	-	2,344,757	2,344,757	-	1,376,764	1,376,764
Investment return on cash value of life insurance policies	3,056	-	3,056	3,511	-	3,511
Debt forgiveness	-	-	-	717,500	-	717,500
Net assets released from capital restrictions	10,001	(10,001)	-	10,001	(10,001)	-
Net gain (loss) on investments	(24,217)	(298,568)	(322,785)	(70,072)	474,606	404,534
Total non-operating revenues (expenses)	<u>(11,160)</u>	<u>2,036,188</u>	<u>2,025,028</u>	<u>660,940</u>	<u>1,841,369</u>	<u>2,502,309</u>
Changes in net assets	<u>\$ 613,433</u>	<u>\$ 3,727,206</u>	<u>\$ 4,340,639</u>	<u>\$ 2,254,957</u>	<u>\$ 1,891,142</u>	<u>\$ 4,146,099</u>
Net Assets:						
Beginning of year	<u>7,692,915</u>	<u>3,590,314</u>	<u>11,283,229</u>	<u>5,437,958</u>	<u>1,699,172</u>	<u>7,137,130</u>
End of year	<u>\$ 8,306,348</u>	<u>\$ 7,317,520</u>	<u>\$ 15,623,868</u>	<u>\$ 7,692,915</u>	<u>\$ 3,590,314</u>	<u>\$ 11,283,229</u>

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Statements of Changes in Net Assets

For the Years ended June 30, 2022 and 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets, June 30, 2020	\$ 5,437,958	\$ 1,699,172	\$ 7,137,130
Changes in net assets	<u>2,254,957</u>	<u>1,891,142</u>	<u>4,146,099</u>
Net Assets, June 30, 2021	7,692,915	3,590,314	11,283,229
Changes in net assets	<u>613,433</u>	<u>3,727,206</u>	<u>4,340,639</u>
Net Assets, June 30, 2022	<u>\$ 8,306,348</u>	<u>\$ 7,317,520</u>	<u>\$ 15,623,868</u>

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Statements of Cash Flows

For the Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 4,340,639	\$ 4,146,099
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	219,453	197,391
Bad debt	19,889	49,066
Investment return on cash surrender value of life insurance policies	(3,056)	(3,511)
Net (gain) loss on investments	322,785	(404,534)
Debt forgiveness	-	(717,500)
Grants and contributions - capital campaign	(2,344,757)	(1,376,764)
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	(455,708)	(783,589)
Pledges receivable	(1,873,000)	(549,500)
Prepaid expenses and other	25,938	(35,909)
Accounts payable and accrued expenses	266,047	200,098
Deferred revenue	7,006	12,061
Net cash provided by (used in) operating activities	<u>525,236</u>	<u>733,408</u>
Cash Flows from Investing Activities:		
Proceeds from the sale of investments	639,865	635,117
Purchase of investments	(1,590,931)	(666,300)
Acquisition of property and equipment	<u>(1,019,385)</u>	<u>(87,500)</u>
Net cash used in investing activities	<u>(1,970,451)</u>	<u>(118,683)</u>
Cash Flows from Financing Activities:		
Grants and contributions - capital campaign	<u>1,251,045</u>	<u>1,376,764</u>
Net cash provided by financing activities	<u>1,251,045</u>	<u>1,376,764</u>
Net Change in Cash	(194,170)	1,991,489
Cash:		
Beginning of year	<u>3,184,321</u>	<u>1,192,832</u>
End of year	<u><u>\$ 2,990,151</u></u>	<u><u>\$ 3,184,321</u></u>
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gain (loss) on investments	<u><u>\$ (288,774)</u></u>	<u><u>\$ 259,465</u></u>

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2022

With Summarized Comparative Totals for the Year Ended June 30, 2021

	2022					2021
	Program Services			General and Administrative	Fundraising	Total
	Licensed Childcare	Recreation and Education	Total Program Services			Total
Salaries and Related:						
Salaries	\$ 1,476,863	\$ 1,864,849	\$ 3,341,712	\$ 399,070	\$ 481,271	\$ 4,222,053
Employee benefits	122,033	152,750	274,783	89,788	49,338	413,909
Payroll taxes	109,509	138,467	247,976	9,721	38,131	295,828
Total salaries and related	1,708,405	2,156,066	3,864,471	498,579	568,740	4,931,790
Occupancy:						
Repairs and maintenance	57,339	171,352	228,691	15,647	12,305	256,643
Depreciation	51,532	79,589	131,121	16,776	18,831	166,728
Utilities	32,550	123,971	156,521	4,308	3,740	164,569
Insurance	26,880	43,680	70,560	3,360	3,360	77,280
Total occupancy	168,301	418,592	586,893	40,091	38,236	665,220
Other:						
Consulting	11,088	67,329	78,417	65,894	1,169,038	1,313,349
Program activities and supplies	116,970	489,685	606,655	-	2,447	609,102
Special event	-	-	-	-	207,041	207,041
Professional fees	-	350	350	52,900	-	53,250
Depreciation	9,620	31,332	40,952	8,721	3,052	52,725
Staff training and travel	8,524	14,835	23,359	20,286	5,108	48,753
Bank fees	7,672	1,222	8,894	14,431	18,729	42,054
Dues and subscriptions	-	32,466	32,466	1,544	594	34,604
Miscellaneous	1,117	7,904	9,021	15,230	3,628	27,879
Postage and printing	5,253	377	5,630	3,420	18,262	27,312
Telephone	6,455	10,353	16,808	3,318	1,584	21,710
Office supplies	44	964	1,008	18,590	2,098	21,696
Bad debt	19,889	-	19,889	-	-	19,889
Equipment rental	1,694	8,254	9,948	699	2,775	13,422
Insurance	3,360	-	3,360	9,072	-	12,432
Advertising	1,100	-	1,100	1,355	1,573	4,028
Investment management fees	-	-	-	343	-	343
Total other	192,786	665,071	857,857	215,803	1,435,929	2,509,589
Total expenses before special events - direct expenses	2,069,492	3,239,729	5,309,221	754,473	2,042,905	8,106,599
Special Events - Direct Expenses	-	-	-	-	(207,041)	(207,041)
Total expenses	\$ 2,069,492	\$ 3,239,729	\$ 5,309,221	\$ 754,473	\$ 1,835,864	\$ 7,899,558
						\$ 6,328,590

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services			General and Administrative	Fundraising	Total
	Licensed Childcare	Recreation and Education	Total Program Services			
Salaries and Related:						
Salaries	\$ 993,739	\$ 1,834,065	\$ 2,827,804	\$ 423,978	\$ 464,657	\$ 3,716,439
Employee benefits	95,419	133,896	229,315	88,981	41,556	359,852
Payroll taxes	66,683	110,419	177,102	19,743	36,523	233,368
Total salaries and related	<u>1,155,841</u>	<u>2,078,380</u>	<u>3,234,221</u>	<u>532,702</u>	<u>542,736</u>	<u>4,309,659</u>
Occupancy:						
Repairs and maintenance	36,584	99,334	135,918	9,764	8,956	154,638
Depreciation	51,613	80,719	132,332	16,947	18,994	168,273
Utilities	25,962	96,190	122,152	3,735	3,243	129,130
Insurance	24,120	39,195	63,315	3,015	3,015	69,345
Total occupancy	<u>138,279</u>	<u>315,438</u>	<u>453,717</u>	<u>33,461</u>	<u>34,208</u>	<u>521,386</u>
Other:						
Consulting	1,334	19,295	20,629	21,106	611,678	653,413
Program activities and supplies	96,858	409,441	506,299	-	-	506,299
Special event	-	-	-	-	174,707	174,707
Professional fees	-	-	-	48,332	-	48,332
Depreciation	6,403	15,422	21,825	5,331	1,962	29,118
Staff training and travel	11,108	5,361	16,469	6,461	4,937	27,867
Bank fees	5,698	2	5,700	29,150	8,362	43,212
Miscellaneous	12,982	8,495	21,477	3,019	5,913	30,409
Dues and subscriptions	-	27,235	27,235	-	1,207	28,442
Postage and printing	4,045	262	4,307	2,988	5,325	12,620
Telephone	6,748	10,731	17,479	4,762	1,539	23,780
Office supplies	3	1,394	1,397	11,807	5,762	18,966
Bad debt	49,066	-	49,066	-	-	49,066
Equipment rental	1,225	7,315	8,540	332	2,427	11,299
Insurance	3,042	-	3,042	7,536	-	10,578
Advertising	-	-	-	250	3,551	3,801
Investment management fees	-	-	-	343	-	343
Total other	<u>198,512</u>	<u>504,953</u>	<u>703,465</u>	<u>141,417</u>	<u>827,370</u>	<u>1,672,252</u>
Total expenses before special events - direct expenses	1,492,632	2,898,771	4,391,403	707,580	1,404,314	6,503,297
Special Events - Direct Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(174,707)</u>	<u>(174,707)</u>
Total expenses	<u>\$ 1,492,632</u>	<u>\$ 2,898,771</u>	<u>\$ 4,391,403</u>	<u>\$ 707,580</u>	<u>\$ 1,229,607</u>	<u>\$ 6,328,590</u>

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS

Operations

Boys and Girls Clubs of Dorchester, Inc. (the Club) is a nonprofit organization dedicated to inspiring and enabling all young people, from diverse circumstances, to realize their full potential by providing opportunities for personal growth to become contributing, caring and responsible members of the community. The Club provides education and recreation related activities for children of all ages of the Dorchester, Massachusetts and surrounding communities.

Nonprofit Status

The Club is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Club is also exempt from state income taxes. Contributions made to the Club are deductible by donors within the requirements of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Club prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC). The financial statements of the Club have been prepared on the accrual basis of accounting and, accordingly, reflect all receivables, payables and other liabilities.

Recently Adopted Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU does not change the recognition and measurement requirements of in-kind goods and services.

In fiscal year 2022, the Club adopted ASU 2020-07. The adoption of this ASU did not impact the Club's net asset classes, results of operations, or cash flows for the year ended June 30, 2022. This ASU has been applied retrospectively to all periods presented.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pledges Receivable and Allowance for Doubtful Accounts

Pledges receivable (see Note 15) at June 30, 2022 and 2021, consist of contributions committed to capital projects or the annual fund. Pledges are recorded at their net present value when unconditionally committed.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants, Contracts and Other Receivables and Allowance for Doubtful Accounts

Grants, contracts and other receivables are recorded at the invoiced or committed amount and do not bear interest. The Club recorded an allowance for doubtful accounts of \$25,000 as of June 30, 2022 and 2021. The decision whether or not to record an allowance is based on historical collections and write-off experience, as well as the amounts that were collected subsequent to each fiscal year-end.

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at estimated fair value at the date of gift, if donated. Renewals and betterments over \$1,000 are capitalized, while repairs and maintenance are expensed as they are incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Building and improvements	10 - 40 years
Furniture, vehicles and equipment	3 - 10 years
Land improvements	15 years

Land is not depreciated.

The Club accounts for the carrying value of its property and equipment in accordance with ASC Topic, *Property, Plant and Equipment*. The Club has not recognized any reduction in the carrying value of its property and equipment when considering this standard during fiscal year 2022 or 2021.

Deferred Revenue

Deferred revenue consists of ticket sales and other amounts received for program and other events that will be held in the following fiscal year.

Fair Value Measurements

The Club follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Club would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Club uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Club. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Investments in marketable securities, primarily mutual funds, are reported at fair value as established by major securities markets. Investments in nonmarketable investments (alternative investments) qualify to use the measurement alternative defined as cost, less impairment, plus or minus changes resulting from observable price changes for identical or similar investments. These estimated values may differ significantly from the values that would have been used had a ready market existed for the underlying investments.

Cash Surrender Value of Life Insurance Policies

The Club records its cash surrender value of life insurance policies using Level 2 inputs which includes valuations provided by insurance companies.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities, including notes payable, does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions include the following:

Operating net assets consist of amounts relating to program and other operating activities which bear no external restrictions and are currently available for operations.

Property and equipment net assets reflect amounts expended and resources available for property and equipment, net of related debt, if any.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Net Assets (Continued)***Net Assets With Donor Restrictions*

Net assets with donor restrictions include amounts received with purpose or time restrictions, which have not yet been expended for their purposes, as well as assets restricted to be held in perpetuity. Net assets with donor restrictions also include appreciation on net assets with donor restrictions to be held in perpetuity in accordance with Massachusetts state law and the Club's spending policy.

Net assets with donor restrictions also include an endowment of approximately \$1,047,000 as of June 30, 2022 and 2021, which is restricted by donors against any expenditure of principal. Substantially all interest and dividend income earned on principal may be used for general purposes.

Net assets with donor restrictions consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Subject to the Club's endowment spending policy:		
Investment in perpetuity	\$ 1,046,626	\$ 1,046,626
Unspent appreciation on endowment	<u>477,462</u>	<u>776,030</u>
	<u>1,524,088</u>	<u>1,822,656</u>
Subject to expenditure for specific purposes:		
Capital	3,751,523	1,416,767
Time	1,558,675	-
Program	<u>483,234</u>	<u>350,891</u>
	<u>5,793,432</u>	<u>1,767,658</u>
Total net assets with donor restrictions	<u>\$ 7,317,520</u>	<u>\$ 3,590,314</u>

Endowment and Investment Return Allocations

Massachusetts state law allows the Club to appropriate as much of the appreciation of net assets with donor restrictions as is deemed prudent considering the Club's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

During fiscal years 2022 and 2021, the Board of Directors of the Club did not vote to approve a spending policy appropriation based on budgetary decisions.

The overall goal of the Club's endowment is to provide a level of support to the Club as determined by the spending policy and reach the objective of maintaining or enhancing purchasing power. The primary investment objective is to achieve a competitive total rate of return (realized and unrealized capital gains plus income, after fees) commensurate with prudent diversification and moderate risk. Consistent with this objective, the portfolio will be structured among various asset classes employing equity-based mutual funds for both growth of capital and income and fixed income based mutual funds for current income and relative price stability. The investment objectives for the endowment portfolio assets shall be to achieve an average annual rate of return of the Consumer Price Index plus 5%.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Grants and Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Club must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barriers or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Club should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. There were no conditional grants outstanding at June 30, 2022 and 2021.

Unconditional grants and contributions are recorded as services are provided and costs are incurred. Grants and contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when unconditionally received or pledged. Transfers are made to revenue and support and net assets without donor restrictions as services are provided and costs are incurred, or pro-rata over the period covered by the contribution or grant as time restrictions lapse. Donor restricted grants and contributions received and satisfied in the same year are included in net assets without donor restrictions.

Contracts

A portion of the Club's revenue is derived from cost-reimbursable and unit-rate government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Club has incurred expenditures in compliance with specific contract or grant provisions. These contracts and grants are considered nonreciprocal transactions because the Club's community and customers receive the benefit as a result of the assets transferred, accordingly, they are recorded under Topic 958.

Special Event Revenue

The Club conducts fundraising events where the obligation is delivery of the event. Sponsorship tickets for these events are set by the Club and recorded in accordance with ASC Topic 606 and have not been allocated as the events are considered to be an obligation. Sponsorship tickets collected in advance of an event are initially recorded as deferred revenue (contract liabilities) and are only recognized in the accompanying statements of activities after delivery of the event has occurred. The events also receive event contributions from donors which are recorded as net assets without donor restrictions when received in accordance with ASC Topic 958.

Program Service Fees

The Club generally measures revenue for qualifying exchange transactions based on the amount of consideration the Club expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue as the Club satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Club evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program Service Fees (Continued)

The Club enters into contracts with club members who pay for a portion of the services received which it records as an exchange transaction under ASC Topic 606. The Club recognizes revenue for the services as the performance obligations are satisfied. Revenue from contracts with customers is presented as program service fees in the accompanying statements of activities for the years ended June 30, 2022 and 2021.

The Club's grants, contracts and other receivables consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Grants and contributions	\$ 1,853,748	\$ 1,399,347	\$ 620,223
Program service fees	<u>64,722</u>	<u>83,304</u>	<u>127,905</u>
Total grants, contributions, and other receivables	<u>\$ 1,918,470</u>	<u>\$ 1,482,651</u>	<u>\$ 748,128</u>

All other income is recognized as earned.

Donated Goods and Services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Club benefited from donated legal, salary and other services during the years ended June 30, 2022 and 2021 (see Note 8). The Club recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Club receives services from a large number of volunteers who give significant amounts of their time to the Club's programs and fund-raising campaigns, but which do not meet the criteria for financial statement recognition.

Statements of Activities

Transactions deemed by management to be ongoing, major or central to the provision of program services are reported as operating revenue and support and operating expenses in the accompanying statements of activities. Non-operating revenues (expenses) include endowment and investment activity, investment return on cash value of life insurance policies, capital campaign and capital grant activity, and donated property and equipment.

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentages attributable to program services, general and administrative and fundraising activities.

The financial statements contain certain categories of expenses that are attributable to program and supporting functions; therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and employee benefits which are allocated based on an estimate of time and level of effort spent on the Club's program and supporting functions, as well as occupancy which is allocated based on square footage of space that is occupied by each program or department.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Advertising Costs**

Advertising costs are expensed as incurred by the Club.

Income Taxes

The Club accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Club has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2022 and 2021. The Club's informational returns are subject to examination by Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through November 7, 2022, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

3. INVESTMENTS AND ENDOWMENT

The Club's investments consist of the following at June 30:

<u>2022</u>	<u>Level 1</u>	<u>Alternative Investments</u>	<u>Total</u>
Money market funds	\$ 983,784	\$ -	\$ 983,784
Mutual funds:			
Equities	2,050,503	-	2,050,503
Non-marketable investments	<u>-</u>	<u>99,745</u>	<u>99,745</u>
Total investments	<u>\$ 3,034,287</u>	<u>\$ 99,745</u>	<u>\$ 3,134,032</u>
 <u>2021</u>	 <u>Level 1</u>	 <u>Alternative Investments</u>	 <u>Total</u>
Money market funds	\$ 198,157	\$ -	\$ 198,157
Mutual funds:			
Equities	1,678,354	-	1,678,354
Fixed income	529,495	-	529,495
Non-marketable investments	<u>-</u>	<u>99,745</u>	<u>99,745</u>
Total investments	<u>\$ 2,406,006</u>	<u>\$ 99,745</u>	<u>\$ 2,505,751</u>

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2022 and 2021

3. INVESTMENTS AND ENDOWMENT (Continued)

Investments in nonmarketable investments (alternative investments) qualify to use the measurement alternative defined as cost, less impairment, plus or minus changes resulting from observable price changes for identical or similar investments. These estimated values may differ significantly from the values that would have been used had a ready market existed for the underlying investments. During fiscal year 2021, the Club recorded an impairment of its alternative investment totaling \$100,000. This amount was determined based on data provided by the asset manager. This amount is included in net gain (loss) on investments in the accompanying statement of activities for the year ended June 30, 2021. Management determined that no impairment was deemed necessary as of and for the year ended June 30, 2022.

The Club intends to hold the investments indefinitely. Accordingly, the investments are reflected as long-term assets in the accompanying statements of financial position regardless of maturity or liquidity. Investments are not insured and are subject to on-going market fluctuations.

The Board of Directors, through the Investment Committee, may employ the services of one or more investment managers to handle invested funds in accordance with these guidelines.

A reconciliation of endowment activity for fiscal years 2022 and 2021 is as follows:

Endowment net assets, June 30, 2020	\$ 1,348,050
Investment return, net	<u>474,606</u>
Endowment net assets, June 30, 2021	1,822,656
Investment return, net	<u>(298,568)</u>
Endowment net assets, June 30, 2022	<u>\$ 1,524,088</u>

4. CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES

The Club is the owner and beneficiary of two life insurance policies on a member of the Board of Directors with an aggregate face value of \$80,512. As of June 30, 2022 and 2021, the cash surrender value of the policies was \$113,109 and \$110,053, respectively. Investment return on cash value of life insurance policies totaled \$3,056 and \$3,511 for the years ended June 30, 2022 and 2021, respectively, and are included in non-operating revenues (expenses) in the accompanying statements of activities.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 7,451,804	\$ 7,417,207
Furniture, vehicles and equipment	861,952	861,952
Land and land improvements	<u>578,105</u>	<u>578,105</u>
	8,891,861	8,857,264
Less - accumulated depreciation	<u>5,168,886</u>	<u>4,949,433</u>
Net property and equipment	<u>\$ 3,722,975</u>	<u>\$ 3,907,831</u>

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2022 and 2021

5. PROPERTY AND EQUIPMENT (Continued)

Construction in process of \$984,788 as of June 30, 2022, pertains to design and architecture costs for the Martin Richard Dorchester Field House (see Note 17).

6. LINE OF CREDIT

The Club has a \$250,000 line of credit agreement with a bank that renews annually. Borrowings are due on demand and interest is payable monthly at the bank's prime rate (4.75% and 3.25% at June 30, 2022 and 2021), respectively. There was no balance as of June 30, 2022 and 2021. The line of credit is secured by all business assets of the Club and was cross-collateralized and cross-defaulted with the note payable. The line of credit has various non-financial covenants in which the Club must comply. The Club was in compliance with these covenants at June 30, 2022 and 2021.

7. CONCENTRATIONS

FDIC Coverage

The Club maintains its cash balances in a Massachusetts bank. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. At certain times during the year, cash balances may exceed the insured amounts. The Club has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash.

Commonwealth Funding

The Club receives funding under unit-rate contracts from departments within the Commonwealth of Massachusetts (the Commonwealth). These reimbursements are subject to audit by the Commonwealth. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Club at June 30, 2022 and 2021, or on its changes in net assets for the years then ended.

Other Funding

As of June 30, 2022, 40% of grants, contracts and other receivables was due from two payers. As of June 30, 2021, 66% of grants, contracts and other receivables, was due from one payer. As of June 30, 2022, 54% of pledges receivable was due from two payers.

8. DONATED GOODS AND SERVICES

The value of donated goods and services, excluding donated land, is as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Professional services and technology	\$ 398,105	\$ 104,389
Rent	161,238	161,238
Salaries	75,430	205,364
Event tickets and program supplies	45,647	21,642
Special event advertising, raffle items and other (see Note 9)	<u>35,168</u>	<u>63,458</u>
	715,588	556,091
Less - amounts included in special events	<u>35,168</u>	<u>63,458</u>
Donated goods and services	<u>\$ 680,420</u>	<u>\$ 492,633</u>

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2022 and 2021

9. SPECIAL EVENTS AND CONTRIBUTIONS, NET

Included in special events and contributions, net are the results of various special events that are held annually, which are shown net of related expenses in the accompanying statements of activities. Special event revenue and direct expenses are summarized as follows for the years ended June 30:

	<u>2022</u>		<u>2021</u>
Special events contributions	\$ 1,104,038		\$ 661,057
Special events donated goods (see Note 8)	35,168		63,458
Special events revenue	\$ 16,700		\$ 58,142
Less - direct expenses (including donated goods)	<u>(207,041)</u>	<u>(190,341)</u>	<u>(174,407)</u>
			<u>(116,265)</u>
Special events and contributions, net	<u>\$ 948,865</u>		<u>\$ 608,250</u>

The indirect expenses associated with special events are included in fundraising in the accompanying statements of functional expenses.

10. RELATED PARTY TRANSACTIONS

The spouse of the President/Chief Executive Officer (CEO) is the Senior Vice President of Education and Programming at the Club. The Senior Vice President of Education and Programming received compensation from the Club in the amount of approximately \$164,000 and \$158,000 for the years ended June 30, 2022 and 2021, respectively. Additionally, the President/CEO is a voting member of the Board of Directors. He is only compensated for his role as President/CEO.

The President/CEO and the Senior Vice President of Operations of the Club are also members of the Board of Directors of a foundation that provided support, both directly and indirectly, to the Club. For the years ended June 30, 2022 and 2021, the foundation contributed \$211,000 and \$200,000, respectively, which is included in Rodman Ride contributions in the accompanying statements of activities. These individuals abstain from any votes taken that pertain to funding for the Club.

The President/CEO is a member of the Executive Committee of Rodman Ride. The Rodman Ride is a not-for-profit organization that provides support, both directly and indirectly, to the Club totaling \$530,820 and \$576,496 (including the \$211,000 and \$200,000 mentioned above pertaining to fiscal years 2022 and 2021, respectively) for the years ended June 30, 2022 and 2021, respectively.

11. EMPLOYEE BENEFIT PLAN

The Club participates in a safe harbor 401(k) plan (the Plan), administered by the Boys and Girls Club Pension Trust, a separate corporation. The Plan covers all employees who have completed one year of service, worked at least 1,000 hours, and reached the age of 21. Under the Plan, the participants may contribute the maximum allowable by law. The Club contributes 3% of each eligible employee's current earnings and will make a matching contribution of an employee's contribution up to 2% of current earnings. Matching contributions made by the Club fully vest after three years. During fiscal years 2022 and 2021, the Club made contributions totaling \$113,473 and \$112,634, respectively, which are included in employee benefits in the accompanying statements of functional expenses.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2022 and 2021

12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Club's financial assets available within one year from the statements of financial position date for general operating expenses are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 2,990,151	\$ 3,184,321
Grants, contracts and other receivables, net	1,918,470	1,482,651
Current portion of pledges receivable	<u>1,181,667</u>	<u>228,500</u>
Total financial assets and liquidity resources Available	6,090,288	4,895,472
Less - current portion of donor restricted amounts pertaining to capital campaign	<u>(1,928,363)</u>	<u>(1,095,767)</u>
Total financial assets and liquidity resources available within one year	<u>\$ 4,161,925</u>	<u>\$ 3,799,705</u>

As part of the Club's liquidity management, the Club has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. To help manage unanticipated liquidity needs, the Club has a \$250,000 line of credit (see Note 6). The Club's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, and therefore, is not available for general expenditure unless appropriated for operations. The Club has approximately \$1,610,000 and \$1,186,000 of investments without donor restrictions as of June 30, 2022 and 2021, respectively. These amounts could be liquidated and utilized to support operations, if necessary, with the prior approval of the Board of Directors.

13. NOTE PAYABLE

During fiscal year 2020, the Club applied for, and was awarded, a forgivable loan of \$717,500 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during a covered period as defined in the CARES Act. Any repayment would have been deferred until December 2020, when the note, plus interest, would have been due in equal monthly payments through May 2022. There were no covenants with which to comply, and the note is not secured by any collateral as of June 30, 2020.

On November 11, 2020, the Club received notice from the Small Business Administration (SBA) of formal forgiveness of the PPP loan in full, including any accrued interest. The entire amount of the loan is recognized as debt forgiveness income in the accompanying statement of activities for the year ended June 30, 2021.

14. CONTINGENCY

During fiscal year 2022, COVID-19 continued to be recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Club's operations and financial position. As a result, the adverse impact COVID-19 will have on the Club's businesses, operating results, cash flows and financial condition is uncertain, but the adverse impact could be material.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2022 and 2021

15. PLEDGES RECEIVABLE

Pledges receivable are due as follows at June 30:

<u>Amounts due in:</u>	<u>2022</u>	<u>2021</u>
Less than one year	\$ 1,181,667	\$ 228,500
One to five years	<u>2,624,247</u>	<u>321,000</u>
	3,805,914	549,500
Less - discount	289,702	-
Less - current portion	<u>1,181,667</u>	<u>228,500</u>
Long-term pledges receivable, net	<u>\$ 2,334,545</u>	<u>\$ 321,000</u>

The pledges have been discounted using a discount rate of approximately 3% at June 30, 2022. The Club determined that a discount on long-term pledges receivable to net present value was not material to the financial statements at June 30, 2021.

16. EMPLOYER RETENTION TAX CREDIT

The Employee Retention Tax Credit (ERTC) was first established by the CARES Act and was extended and expanded by the Consolidated Appropriations Act (CAA) and American Rescue Plan (ARP). ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first \$10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC), and 70% of the first \$10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and December 31, 2021 (2021 ERTC). To be eligible, the Club must meet certain conditions as described in applicable laws and regulations.

The Club has determined that it qualifies for both the 2020 ERTC and a portion of the 2021 ERTC that pertains to January 1, 2021 to June 30, 2021, and therefore, is accounting for them as conditional grants under ASC Subtopic 958-605. These grants are conditional upon certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of June 30, 2021, and therefore, the entire refund of \$1,013,953 that the Club expects to receive is included in the current portion of grants, contracts and other receivables without donor restrictions in the accompanying statement of financial position and was recorded as grants and contribution income in the accompanying statement of activities for the year ended June 30, 2021. The Club received partial payment for a portion of the credit in 2021. At June 30, 2022, \$932,307 is included in current portion of grants, contracts and other receivables without donor restrictions in the accompanying statement of financial position. Eligibility for the credit and the credit calculations are subject to review and approval by the Federal government. In the opinion of management, the results of such reviews and audit will not have a material effect on the financial position of the Club as of June 30, 2022 and 2021, and on the changes in its net assets for the years then ended.

17. CAPITAL CAMPAIGN

During fiscal year 2021, the Club launched a capital campaign in collaboration with the Martin Richard Foundation with a goal of raising approximately \$60 million for the construction of the Martin Richard Dorchester Field House. The Club has raised approximately \$5 million towards the total capital campaign goal which includes construction of the field house in phase 1 and construction of a club house in phase 2. Of this amount, approximately \$1,400,000 and \$503,000 are included in pledges receivable as of June 30, 2022 and 2021, respectively, and are expected to be collected over the next five years.